

The sale of a vehicle that has previously been modified to make it usable by a disabled person is reported on Form ST-556. Retailers' Occupation Tax is incurred on the entire selling price of the vehicle at the preprinted rate for motor vehicles. See 86 Ill. Adm. Code 130.310. (This is a GIL).

April 24, 2002

Dear Xxxxx:

This letter is in response to your letter dated January 25, 2002. We apologize for the delay in responding to your inquiry. The nature of your letter and the information you have provided require that we respond with a General Information Letter, which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120 subsections (b) and (c), which can be found at <http://www.revenue.state.il.us/legalinformation/regs/part1200>.

In your letter, you have stated and made inquiry as follows:

I am writing in order to seek specific guidance and clarification of an issue regarding whether the full rate of Retailers' Occupation Tax must be charged under the following set of circumstances, as opposed to the 1% rate of tax charged on modifications made to a motor vehicle for the purpose of rendering it usable by a disabled person (86 Ill. Adm. Code 130.310(c)(3)(e)).

An Illinois automobile dealer sends a conversion van to a van conversion company. Title is not transferred. This conversion van is taken off the dealer's lot in the same condition it was received from the manufacturer. The conversion van company then makes modifications to the van for use by a disabled person. The post-conversion van is then held at the conversion van company for sale to a disabled person. Since the conversion van company is not a franchise auto dealer and the automobile dealer retains title, the Illinois automobile dealer who originally sent the conversion van to the conversion van company processes the paperwork for the sale to the disabled person. Therefore, the post-conversion van is sold as a complete unit including the modifications.

Specifically, I am inquiring as to what rate of retailers' occupation tax should be applied to the sale of the post-conversion van as a complete unit?

I understand that the lower rate of tax applies to modifications to a motor vehicle for the purpose of rendering it usable by a disabled person, and would be properly reportable on Form ST-1, Sales and Use Tax Return. The exception appears to be if the van has already been converted to make it usable prior to sale. In this case, the higher ROT rate applies to the full sales price including the conversion. We are unclear about the conversion issue.

Given the above facts, does the higher rate of ROT apply to the full sales price because the van was converted prior for sale to the public or does the lower rate of 1% apply to the conversion piece and the higher rate to the van itself?

Given that the van conversion company cannot sell the vans as a franchised dealer and that they must convert the vans in order to sell the conversion package, I did not know if this impacted the treatment for ROT purposes.

Your time and attention towards this matter is greatly appreciated.

DEPARTMENT'S RESPONSE:

It is not entirely clear from your letter who is contractually bound to sell the vehicle, however, the short answer is that the vehicle would be subject to the general merchandise tax rate for the entire selling price of the vehicle. For your general information I have enclosed a copy of Informational Bulletin FY 96-16 that describes such sales. As that bulletin states, the sale of a vehicle that has previously been modified to make it usable by a disabled person is reported on Form ST-556. Retailers' Occupation Tax is incurred on the entire selling price of the vehicle at the preprinted rate for motor vehicles listed on the Form ST-556.

I hope this information is helpful. The Department of Revenue maintains a website, which can be accessed at www.revenue.state.il.us. If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of Section 1200.110(b) described above.

Very truly yours,

Terry D. Charlton
Associate Counsel

TDC:msk
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